

MICHIGAN



LOTTERY

2006 Annual Report

When the citizens of Michigan voted in 1972, by a 2-to-1 margin, to constitutionally establish the Michigan Lottery, it was with three goals in mind. As Lottery commissioner, I am proud to report that in FY 2006 we accomplished our goals and for the third consecutive year, we exceeded previous records in the amount we contributed to the School Aid Fund, the commissions we paid to our retailers, and in the prizes we paid to our players.



Jennifer M. Granholm
GOVERNOR

The first goal of our mission is to **maximize net revenues to supplement education programs**. The Lottery's FY 2006 contribution of \$688 million represents 31 percent of our total sales revenue and about 5.4 percent of the state's total \$12.7 billion expenditures on public education. Without our contribution, public education would clearly suffer.

In addition to contributing all our profits to the School Aid Fund, the Lottery is proud to partner with one of our vendors, GTECH Corporation, which provides funding and technical support for computer systems in after-school programs offered to Michigan's disadvantaged youths.



Gary C. Peters
LOTTERY COMMISSIONER

Our second goal is to **provide fun and entertaining games of chance**. In FY 2006, we offered players 75 instant games, the multi-state game Mega Millions, Classic Lotto 47, Fantasy 5, Keno!, Daily 3, Daily 4, Club Keno and Pull Tabs. This wide variety of games allowed us to successfully meet the interests of millions of players who in turn enjoyed winning millions of dollars in prizes!

The third goal of our mission is to **operate all games and bureau functions with nothing less than total integrity**. Every drawing conducted by the Michigan Lottery is under the oversight of an independent auditing firm, Alan C. Young and Associates. Instant tickets are printed and distributed under the most stringent of guidelines. In March of 2006, we received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for our comprehensive annual financial report. This is the highest award possible in the area of governmental accounting and financial reporting and we were judged as demonstrating "a spirit of full disclosure" to clearly communicate our financial story. Such recognition illustrates our full commitment to the integrity of our business.

The Lottery continues to be a great success on all fronts: with players, with retailers, and with helping to fund public education for Michigan's children. I am proud to report that, once again, we are accomplishing our mission in record-setting fashion!

A handwritten signature of Gary C. Peters in dark ink.

*Lottery Commissioner Gary Peters visits
a Michigan elementary school.*

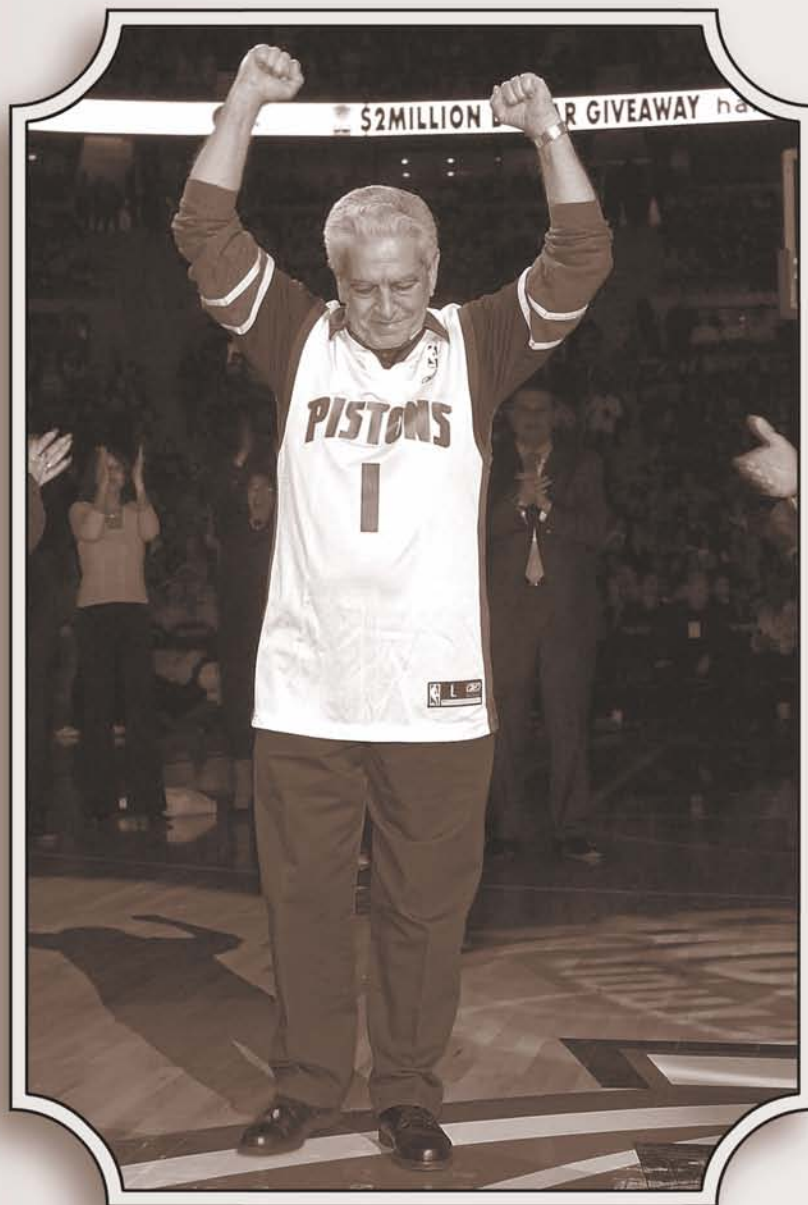


Winners



\$400,000 Winner

Lidia Gutierrez



\$2 Million Winner

Daniel Jackson

With nearly \$1.3 billion paid in prizes in FY 2006, the Michigan Lottery had its share of excitement, with a Mega Millions jackpot win; a near-miss Winfall jackpot prize award; three \$2 million instant game prize awards; and a huge payoff to a 33-year, loyal Daily games player.

In November, Keith Bryce and Aristeo Robelin shared a \$35 million Mega Millions jackpot with one player in California. The two Saginaw men had been friends for eight or nine years and were both regular Lottery players. But their purchase of that winning Mega Millions wager represented the first time they shared a ticket. The two men, calling their win a miracle, shared a check for \$7,428,359, which was the cash value of half of the jackpot, minus taxes.

A \$1.5 million prize for a Detroit Winfall player could be classified as a miracle as well. On January 9, the man and his wife, who elected to remain anonymous, came to the Lottery's Lansing headquarters with just hours to spare to claim the prize from a ticket he purchased in January 2005. The man found the ticket in the pocket of a jacket he hadn't worn for nearly a year. He played the numbers 4, 5, 7, 10, 21 and 23 after having a dream about his deceased parents; the numbers represent the months, dates and years of their births.

Luck and loyalty paid off in a big way for two other Michigan Lottery players as well.

Robert Thompson of Saginaw, a self-proclaimed “professional” Lottery player, was the winner of a \$140,980 Fantasy Five jackpot. But that wasn’t Thompson’s first lucky lottery encounter: the avid player had already won at least \$500 in 10 different states, including West Virginia, Georgia, Indiana, Illinois and Kentucky, to name a few. He’s also won \$5,000 “a couple of times.”

Lidia Gutierrez’s loyalty in playing the Lottery’s Daily 4 evening game paid off when on July 27, the numbers 2123, which she had been playing since 1972, were drawn. Gutierrez had placed a straight bet, so her prize was \$5,000. But she had purchased 80 wagers, making her a \$400,000 winner! Gutierrez said the numbers represented the date and year of her late husband’s birth.

And on three separate occasions, the Lottery awarded a \$2 million prize during live drawings at two Detroit Pistons basketball games at The Palace of Auburn Hills and at the International Freedom Festival fireworks display.

SUMMARY

Games offered: Mega Millions, Classic Lotto 47, Fantasy 5, Daily 3&4, Keno!, Instant Games, Pull Tabs, Club Keno

Sales: \$2.2 billion

Contribution to School Aid Fund: \$688 million

Prizes paid: \$1.3 billion

Range of prizes: \$1 to \$20 million

Each of the five finalists in the three drawings was randomly selected after having won \$1,000 on one of the Lottery’s \$20 instant games.

With millions of players and winners, the Michigan Lottery continues to be a source of fun and entertainment for people throughout the state!



\$140,980 Winner
Robert Thompson

Online Games

SUMMARY

Online Games offered: Mega Millions,
Classic Lotto 47, Fantasy 5, Kenol,
Daily 3, Daily 4

Sales: \$1 billion

Contribution to School Aid Fund: \$399.7 million

Prizes paid: \$521.7 million

Range of prizes: \$1 to Mega Millions jackpot

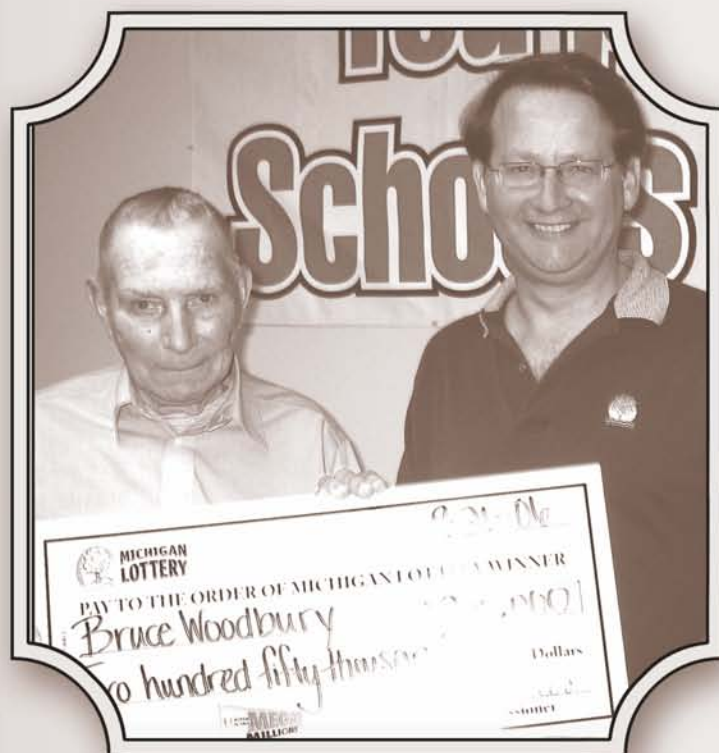


\$17.5 Million Winners

Saginaw residents **Keith Bryce** (left) and **Aristeo Robelin** formed **His Club** and shared half of a \$35 million Mega Millions jackpot in the November 29, 2005 drawing. The other winning ticket was sold in California.

\$250,000 Winner

Bruce Woodbury of Rosebush (left) matched five white ball numbers in the September 1 Mega Millions drawing and received his prize money from Lottery Commissioner **Gary Peters**.



Instant Games

SUMMARY

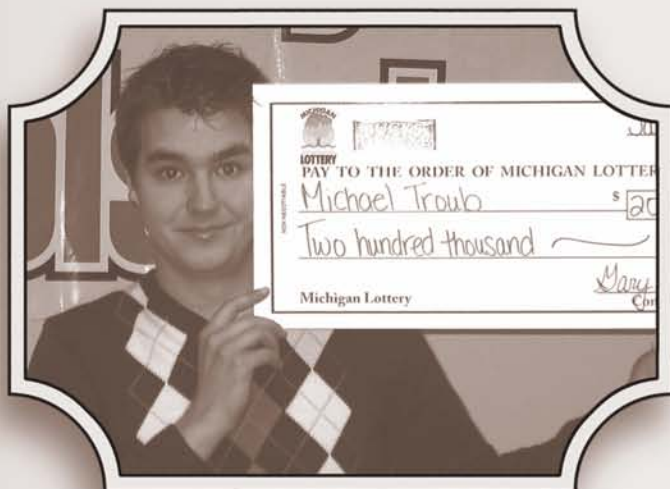
Number of instant games introduced
in FY 2006: 75

Price points: \$1 to \$20

Sales: \$710.8 million

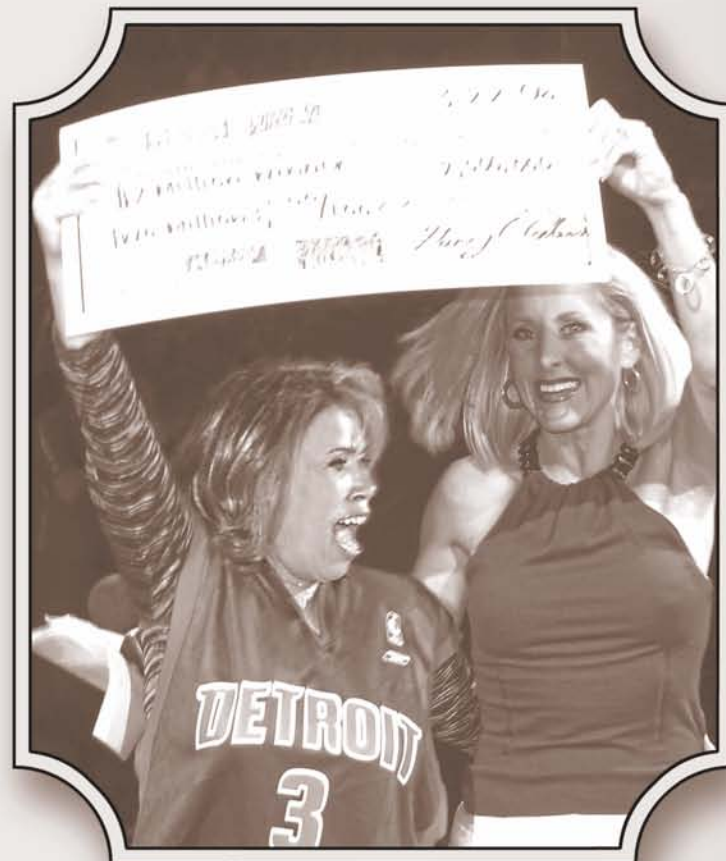
Contribution to School Aid Fund:
\$178.9 million

Prizes paid: \$446.1 million



\$200,000 Winner

Michael Troub



\$2 Million Winner

Mona Al-Falahat of Roseville (left), pictured with Lottery emcee **Beth McLeod**, was a \$2 million winner in the March 22 drawing conducted during halftime of a Detroit Pistons basketball game.

Club Games

SUMMARY

Games offered: Club Keno with Kicker option, Pull Tabs

Sales: \$465.7 million

Contribution to School Aid Fund:
\$109.4 million

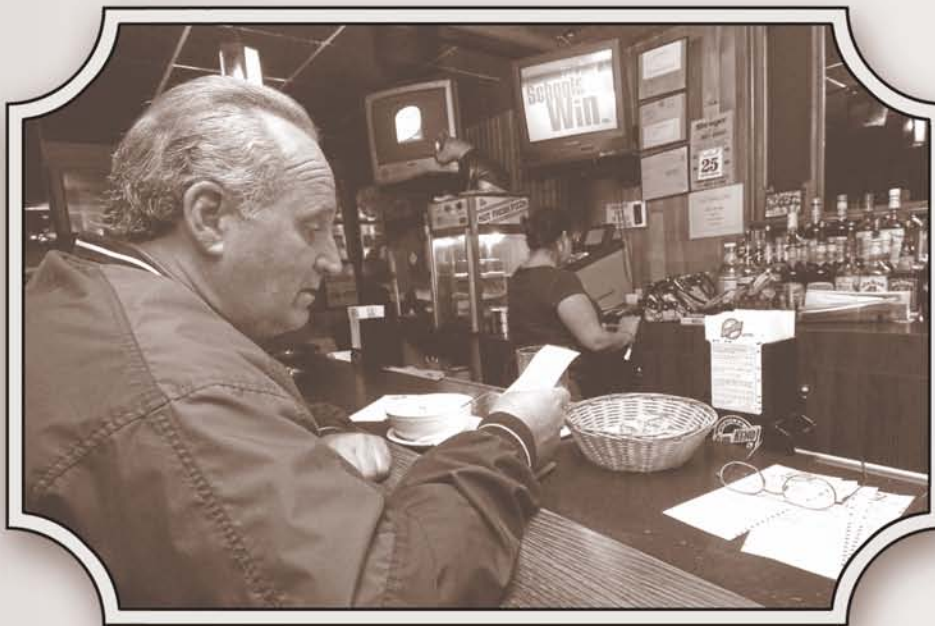
Prizes paid: \$300.4 million

Range of prizes: \$1 to \$20 million



Club Games Winner

A Club Games player is a lucky prize winner at one of several Club Games nights offered by the Lottery throughout the year.



Club Keno Fun

Club Keno is offered at nearly 2,000 bars and restaurants throughout Michigan.

Special Events

Over 16,000 players enjoyed a discount entrance to the Michigan State Fair and the Upper Peninsula State Fair when the Lottery partnered with both events, issuing the offer on all online game tickets prior to and during the fairs.



SUMMARY

FY 2006 events and partners:
Downtown Hoedown, Detroit,
Meijer No. 35; Arab
International Festival,
Dearborn, Happy Three Party
Store; Labadie Pig Gig, Bay City,
Meijer No. 48; Upper Peninsula
State Fair, Escanaba, Holiday
Stations; Michigan State Fair,
Detroit, Northville Downs and
Hazel Park Harness Raceway;
Arts, Beats and Eats, Pontiac,
Meijer No. 53.



Cottery Sponsorships

Arts, Beats and Eats in Pontiac was one of several events which the Michigan Lottery sponsored in 2006.

Second Chance Drawings



SUMMARY

Second chance games: Chrysler Cash, Texas Hold 'Em, Red Wings, Mustang Money

Number of second chance drawings: 16

Prizes awarded: 4,060

Number of second chance entries: 781,479

Prize packs for second chance drawings included a wide variety of merchandise, including poker game sets and tables; clocks; Chrysler and Detroit Red Wings wearables; duffel bags; and back packs. One 2006 Mustang convertible and one 2005 Chrysler 300C were given away as well.

Charitable Gaming Division

With the popularity of Texas Hold'em, millionaire parties have become the fastest growing means of fundraising for charities in Michigan.



SUMMARY

Gaming licenses offered to nonprofits: bingos, raffles, millionaire parties, and charity game tickets

Revenue generated by licensed organizations: \$417.4 million

Proceeds for charitable causes: \$74.5 million

Prizes paid by licensed organizations: \$286.6 million

Retailers

SUMMARY

Number of retailers: 10,959

Commissions paid to Michigan Lottery retailers in FY 2006: \$165.3 million

Commission structure:
6 percent on all tickets sold;
2 percent on in-store redemptions up to \$600;
2 percent to retailers on redeemed winning tickets from \$601 to \$100,000 sold in their stores; \$2,000 for redeemed winning tickets valued over \$100,000 sold in their stores; \$5,000 for the sale of a Classic Lotto 47 jackpot winning ticket; and \$50,000 for the sale of a Mega Millions jackpot winning ticket.



\$50,000 Retailer Commission Recipients

Sue Kuck (left), manager of Galen Wilson Petroleum, was the first recipient of the Lottery's \$50,000 Mega Millions commission when her store, South Michigan Express Stop in Saginaw, sold one of two winning tickets for a \$35 million jackpot. Kuck, pictured with **Jennifer Woodward**, the cashier who sold the winning ticket, donated \$5,000 of the commission to the Salvation Army of Saginaw County and split the remaining \$45,000 between bonuses to employees and a deposit into the company's retirement fund.

2006 Financials

Statement of Revenues, Expenses and Transfers

In Thousands

Revenues

Daily 3	\$ 384,244	\$ 401,072
Daily 4	\$ 322,273	\$ 308,845
Daily Double	\$ 2,204	\$ 2,661
Classic Lotto 47	\$ 50,702	\$ 55,643
Fantasy 5	\$ 45,514	\$ 49,893
Mega Millions	\$ 216,408	\$ 203,902
Keno	\$ 14,593	\$ 13,520
Instant	\$ 710,769	\$ 662,534
Club Keno	\$ 424,062	\$ 332,356
Pull Tabs	\$ 41,599	\$ 39,067
Total Ticket Sales	\$ 2,212,368	\$ 2,069,493

Charitable Gaming Receipts	\$ 18,556	\$ 19,639
Investment Income	\$ 6,114	\$ 5,088
Unrealized Investment Income (Loss)	\$ (16,372)	\$ (24,646)
Other Income	\$ 1,281	\$ 1,000
Total Revenues	\$ 2,221,946	\$ 2,070,574

Expenses

Retailer Commissions	\$ 165,302	\$ 152,631
Administrative Expenses	\$ 19,719	\$ 17,862
Advertising	\$ 17,509	\$ 17,597
Game-Related Expenses	\$ 60,050	\$ 56,914
Charitable Gaming Expenses	\$ 8,067	\$ 7,910
Total Operating Expenses	\$ 270,647	\$ 252,914

Prizes Awarded

	\$ 1,298,478	\$ 1,179,642
Less Unclaimed Prizes	\$ 30,304	\$ 17,634
Net Prizes Awarded	\$ 1,268,175	\$ 1,162,008

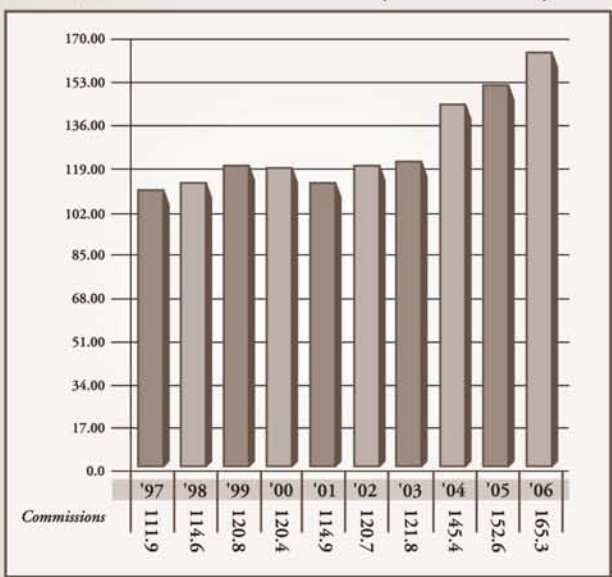
Net Income

	\$ 683,124	\$ 655,652
Charitable Gaming Net Income		
Transferred to General Fund	\$ (10,489)	\$ (11,729)
Transfer to Dept. of Community Health for Compulsive Gaming Helpline	\$ (990)	\$ (990)
Reserved Unrealized Loss On Investments	\$ 16,372	\$ 24,646

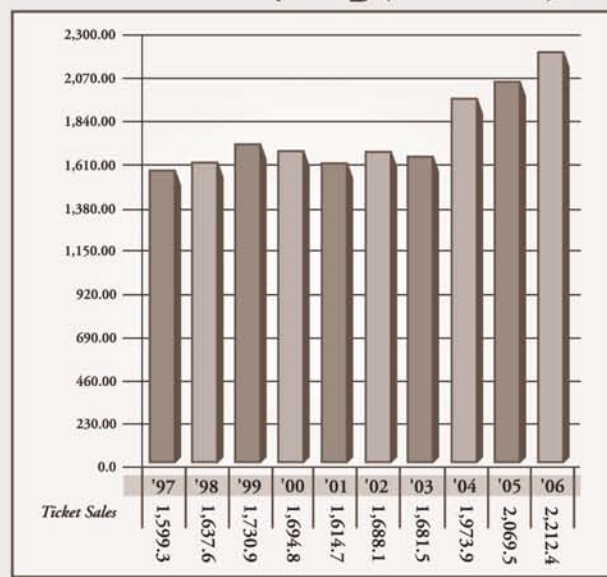
Net Income Transferred to School Aid Fund	\$ 688,017	\$ 667,579
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2006 Financials

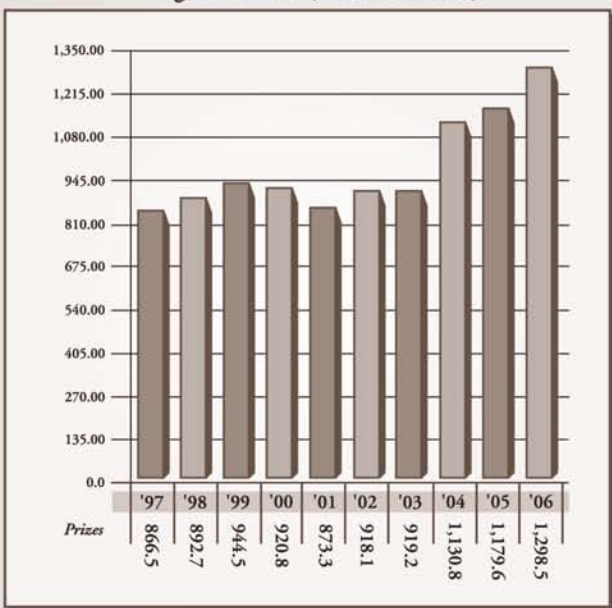
Retailer Commissions (In Millions)



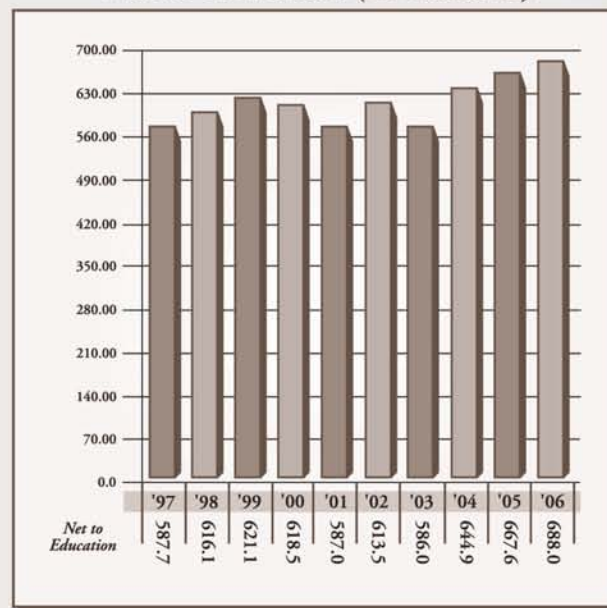
Ticket Sales History (In Millions)



Prizes Won (In Millions)



Net to Education (In Millions)



2006 Financials

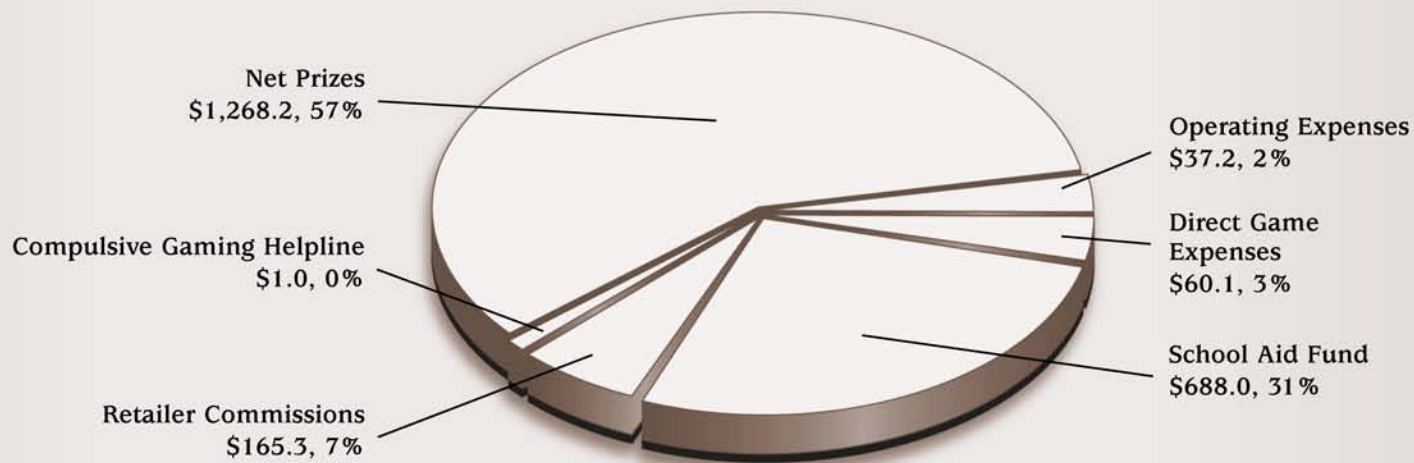
Total Ticket Sales: \$2,212.4 (In Millions)

FY 2006



Where the Money Goes (In Millions)

FY 2006



Compulsive Gambling Helpline

Lottery and other games of chance are prevalent in Michigan and worldwide. The vast majority of Lottery enthusiasts play responsibly and do so in the spirit in which the games are intended. However, as with any form of gambling, abuses can and do occur.

The Michigan Lottery believes in offering a fun product at a fair price, all in the name of benefiting a worthy cause. The Lottery is not, and was never intended to be, an investment, retirement plan, or a replacement for hard work as a means to a better life.

If you would like more information about problem gambling and the programs available, call the Michigan Problem Gambling Helpline at 1-800-270-7117.

In FY 2006, the Michigan Lottery provided \$1 million for compulsive gambling programs, including the toll-free Helpline. Additionally, the Lottery produces public service announcements that feature the Helpline number. These announcements aired over 2,800 times on television stations across Michigan in FY 2006.

Lottery Website

The screenshot shows the Michigan Lottery website interface. At the top, there's a navigation bar with links like 'Lottery Home', 'Site Map', 'Contact Michigan Lottery', and 'FAQ'. Below this, a 'Prize Payouts' section states: 'The Michigan Lottery paid \$20,379,361 in prizes last week. Congratulations to all our lucky winners!'. The 'Drawing Results' section features a table with columns for game type, date, and winning numbers. Games listed include Triple Action, Keno, and Golden Ticket. On the right side, there are links for 'Departments/Agencies', 'Online Services', 'Surveys', and 'RSS Feeds'. The bottom of the page features logos for 'Triple Action', 'Keno', and 'Golden Ticket'.

Game	Date	Winning Numbers
Triple Action	Fri. Oct 13, 2006	24 27 42 47 50 08
Triple Action	Next Drawing Tue. Oct 17, 2006	Estimated Jackpot is \$55.0 million
Triple Action	Sat. Oct 14, 2006	03 15 19 27 41 47
Triple Action	Next Drawing Wed. Oct 18, 2006	Estimated Jackpot is \$2.4 million
Triple Action	Sun. Oct 15, 2006	04 08 11 12 31
Triple Action	Next Drawing Mon. Oct 16, 2006	Estimated Jackpot is \$229,000
Keno	Sun. Oct 15, 2006	09 13 14 16 22 24 26 33 40 43 47 48 49 54 59 63 64 66 69 70 71 74

SUMMARY

Total page views: 65,185,854
(Daily average = 178,591)

Total visitors: 24,976,390
(Daily average = 68,428)

Most popular page: Home Page

Leadership Team

Gary C. Peters, Lottery Commissioner

Mike Petersen, Deputy Commissioner, Charitable Gaming

Margie Reh, Deputy Commissioner, Administration

Connie Souza, Deputy Commissioner, Planning & Operations

Tom Weber, Deputy Commissioner, Marketing

Contact Information

Need to contact the Michigan Lottery?

By e-mail: **milottery@michigan.gov**

By fax: **517.335.5644**

By phone: **517.335.5600**

By U.S. mail: **Michigan Lottery**

101 E. Hillsdale

P.O. Box 30023

Lansing, MI 48909



SUMMARY

Number of citizens: 102,000

Address: www.playercity.net

Offerings to players: winning numbers and jackpot alerts; contests; exclusive drawings; coupons; and member rewards.

The Michigan Lottery's VIP Internet Club, Player City, hosted a highly successful contest in which players submitted photographs of their dogs for a new instant game ticket, Lucky Dog. The Lucky Dog game, one of more than 2,350 instant games introduced by 52 different lotteries in 2006, received the 2006 Best New Instant Game Award from the North American Association of State and Provincial Lotteries. Launched in April, the 5.4 million \$1 Lucky Dog tickets sold out in just seven weeks. Over 1,000 players entered their dogs' photographs in the contest.



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